

THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF TUCSON, ARIZONA

**Minutes of the Special Meeting
of the Board of Directors**

December 10, 2015

3:00 P.M.

at the office of

Ward VI Council Office - East Conference Room

3202 East First Street

Tucson, Arizona 85716

Present:

Board Members	Marilyn Robinson Emily Nottingham Evelia Martinez Larry Lucero Adam Weinstein (arrived at 3:12 pm, left at 4:39 pm) Judy Clinco (arrived at 3:24 pm)
Staff	Charles Lotzar, Lotzar Law Firm, PC Gary Molenda, Business Development Finance Corporation (left at 4:39 pm) Karen Valdez, Business Development Finance Corporation
Guests	Scott Riffle, George K. Baum & Company Camila Martins-Bekat, City of Tucson Swain Chapman, Chapman Management Group Sue Zimmerman, Pueblo Parking Systems Erik Chapman, Pueblo Parking Systems Wiley Cornell, EPNA Thaddeus Pace, EPNA Susan Gamble, WAMO
Absent	Gary Bachman

The Special Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **December 10, 2015**, at the Ward VI Council Office - East Conference Room, 3202 East First Street, Tucson, Arizona. All Authority’s Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority’s Board of Directors that Arizona’s Open Meeting Laws allow for members of the Authority’s Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

ITEM	ACTION TAKEN/TO BE TAKEN
1. Call to Order The meeting was called to order by Marilyn Robinson, with a quorum present.	The meeting was called to order at 3:05 p.m.
2. Request for resolution to approve the minutes of the Special Meeting of November 18, 2015.	A MOTION was made and seconded (E. Nottingham / M. Robinson) to approve the meeting minutes of the November 18, 2015 Special Meeting as presented. Approved 4-0.
3. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority’s behalf by third parties.	A MOTION was made and seconded (E. Martinez / L. Lucero) to approve payment of invoices and notification of items to be paid as presented.

	Approved 4-0.
<p>4. Status report from the Liaison to City of Tucson, Arizona City Manager's Office related to:</p> <p>C. Martins-Bekat provided status on the following:</p> <p>a) The City's Economic Development Prospect list</p> <ul style="list-style-type: none"> Potential project from Arizona Commerce Authority for a combination relocation of a manufacturing and research & development company that would create 180 employees within the first 2 years and 635 employees by the end of year 5; with jobs that will pay an average annual wage of \$92,000. This is a company that has looked at Tucson before, so this is their 2nd look. <p>b) The City's use of the Tucson Community Development Loan Fund aka the HUD Section 108 Loan Program</p> <ul style="list-style-type: none"> No additional applicants. Marriott - closing documents to be drafted by December 17, 2015. <p>c) The City's use of HOME Funds - No change from November, 2015 report</p> <p>d) The City's use of its 21 Economic Development tools</p> <ul style="list-style-type: none"> A Government Property Lease Excise Tax ("GPLET") rent will be charged to recover cost for staff. A draft document outlining the new incentives for investing along the Grant Road corridor will be presented to Mayor & Council prior to June 2016. <p>e) Current items of interest</p>	No action taken.
<p>5. Status report related to the affairs of Dark Mountain Development Corporation and request for resolution related to any actions related thereto.</p> <p>This Agenda item was tabled.</p>	No action taken.
<p>6. Status report and recommendations of the Loan Review Committee regarding a loan request from Nonprofit Loan Fund of Tucson and Southern Arizona in an amount not to exceed \$150,000 and request for resolution for all actions related thereto.</p> <p>E. Martinez stated that the Loan Review Committee (the "Committee") met on Monday, December 7, 2015 to review a funding request from the Nonprofit Loan Fund of Tucson and Southern Arizona (the "NPLF") for additional funds in the amount of \$150,000.00. Ms. Martinez stated that the Committee could not provide a recommendation based on the information received.</p> <ul style="list-style-type: none"> NPLF is now originating term loans to nonprofit organizations; which is in direct competition with the Authority's loan program. NPLF is in their 3rd year of fund raising and the Committee is not confident that the NPLF will have the capacity to raise funds needed to continue. Historically, the NPLF loan pool has been funded exclusively by nonprofit 	No action taken.

<p>organizations and has had no “private sector” participation.</p> <p>E. Nottingham commented that the NPLF is important to the Tucson nonprofit community as the NPLF provides the needed technical assistance component. However, there is direct conflict with regard to term lending.</p> <p>It was noted that the Authority agreed to be an upfront lender in order for NPLF to build a track record to enable the NPLF to solicit funds from the private sector.</p> <p>Discussion ensued and it was the consensus of the Authority that the Authority would like to support the efforts of the NPLF to ensure the NPLF’s existence. However, any of the Authority’s future financial support will be contingent upon (a) the NPLF’s demonstrated financial participation of the private sector, and (b) the funds restricted in use exclusively for the NPLF’s origination of gap funding to nonprofit organizations.</p> <p>L. Lucero commented that NPLF should be requesting support from throughout the private sector organizations, as opposed to exclusively from lending institutions.</p> <p>The Committee will meet with Maura Grogan, Executive Director of the NPLF.</p>	
<p>7. Status report regarding a request for funding from the Pima Santa Cruz Small Business Development Center (“SBDC”) and request for resolution for all actions related thereto.</p> <p>G. Molenda presented a request for funding noting that the request would be a significant exception to the Authority’s current policy as it was for Business Development Finance Corporation (“BDFC”) as well. Mr. Molenda provided historical background on the Pima Santa Cruz Small Business Development Center (“SBDC”), noting that all SBDC’s are housed within a Community College system.</p> <p>It was recently confirmed that Pima Community College has committed to house and financially support the SBDC for a period of 3 years beginning January 2016. This means that the SBDC will once again enjoy a stable base of support from which it can continue to provide the wide range of technical assistance to the small business community operating in southern Arizona.</p> <p>It was noted that the Small Business Administration (“SBA”), who provides financial support for the SBDC, will not provide funding if the SBDC’s portion of a cash match is not met.</p> <p>However, a significant challenge remains as the SBDC must raise the required 2015 cash match to ensure receipt of SBA funding and continuity of services and staffing.</p> <p>Mr. Molenda stated that the Board of Directors of BDFC recently approved a \$15,000 cash contribution to the SBDC, subject to a 3-to-1 match and pay-in based on receipt of matching contributions.</p> <p>It was noted that Community Finance Corporation also committed \$15,000 to SBDC.</p> <p>SBDC value provided to the southern Arizona small business community:</p> <ol style="list-style-type: none"> 1. Business workshops and training programs (including but not limited to): <ul style="list-style-type: none"> • Business Plan Assistance. • Market Feasibility and Research. • Marketing Strategy Development. 	<p>A MOTION was made and seconded (E. Nottingham / A. Weinstein) to approve a one-time contribution of \$5,000.00 to the Pima Santa Cruz Small Business Development Center (“SBDC”) for a cash match from the Small Business Administration (“SBA”) and in recognition that the various matching funds in and of themselves address the required balancing test. Approved 6-0.</p>

<ul style="list-style-type: none"> • Cash Flow Analysis. • Financial Projections Development. • Identifying Sources of Capital. • SBA Loan Assistance. • Business Assessment. <p>2. Procurement and Government Contracting Assistance.</p> <p>3. Applying for Business Certifications</p> <p>Discussion ensued and it was noted that the SBA will provide a dollar for dollar match to all cash funds raised and therefore, subject to the balance test required by the Arizona Constitution's Gift Clause, it was the consensus of the Authority to provide a one-time contribution of \$5,000 to the SBA toward their cash match required by the SBA for continued support.</p>	
<p>8. Status Report related to \$40,000,000 The Industrial Development Authority of the County of Pima and The Industrial Development Authority of the City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (the "Pima/Tucson Homebuyer's Solution Program") - request for resolution related to any actions related thereto.</p> <p>C. Lotzar stated that items included in the Board of Directors' meeting packet are in response to discussion at the most recent Special Meeting held November 18, 2015.</p> <p>Mr. Lotzar reviewed the following:</p> <ul style="list-style-type: none"> • HUD-1 Settlement Statement - showing costs associated with participation in both the Pima Tucson Homebuyer's Solution ("PTHS") Program and the Mortgage Credit Certificate Program. • PTHS Monthly Dashboard Report. • George K. Baum & Company's analysis of US Bank's Housing Finance Agency ("HFA") Scorecard Report on the PTHS Program through October 2015. • PTHS Program Profitability Spreadsheet. • Flow of Funds Schematic. <p>Mr. Lotzar explained the roles of:</p> <ul style="list-style-type: none"> • Ehousing: Administrator of the PTHS Program - makes sure the pipeline is properly managed. Administers the program reservation system, website, and posts Administrator's guide, forms, training materials, provides program and system training, answers program and system questions, receives compliance files, reviews, posts and notifies of exceptions and approves compliance file. • US Bank: Master Servicer - Provides information on acceptable loan products, delivery and funding, receives all first mortgage files, reviews first mortgage files, notifies lenders of first mortgage file exceptions, approves first mortgage files, purchases, pools and delivers loans, 	<p>No action taken</p>

<p>delivers certificate.</p> <p>Mr. Lotzar reviewed the mechanics of the PTHS Program in detail. He also reviewed each column of the PTHS Program Profitability Spreadsheet. It was noted that:</p> <ul style="list-style-type: none"> • The mortgage loans are all conforming loans – not subprime loans. • The mortgage loans bundled and sold as mortgage-backed securities in the secondary mortgage market and mortgage loans do not stay in the Program • The Authority’s funds are used to provide the Down Payment Assistance (“DPA”) on mortgage loans and each homebuyer signs an affidavit acknowledging that the homebuyer is paying a higher interest rate than he or she would if the homebuyer simply obtained a mortgage loan without DPA. • The Authority’s funds are not used to purchase the mortgage loans or the mortgage-backed securities. • Funds are recycled back to the PTHS Program after the sale of the mortgage-backed securities. <p>E. Nottingham questioned manual underwriting for borrowers with FICO’s between 640-659, noting that the Authority wants to be associated with a program that is a benefit to a borrower, but also a good loan.</p> <p>S. Riffle responded stating that the Authority’s historic mortgage revenue bond programs only involved conforming mortgage loans and the programs did not involve any form of subprime mortgages.</p> <p>Mr. Riffle provided additional review of the US Bank HFA Score Card on the PTHS Program. Mr. Riffle noted that:</p> <ul style="list-style-type: none"> • “Peer” as stated in the US Bank HFA Score Card references the State Housing Agencies. • The PTHS Program includes the HFA Preferred product. • The PTHS Program is on the small end of the scale from a national perspective, but the program is doing well. • The vast majority of “Peers” have decided to continue with the 640-659 FICO loans. • The program is implemented by the vast majority of HFAs as it is a proven model to deliver affordable housing to qualified borrowers that need it. • Negative arbitrage effectively prevents the issuance of mortgage revenue bonds. 	
<p>9. Staff Reports:</p> <p>K. Valdez provided status on the following:</p> <p>Monthly Staff Report for the month ending November 30, 2015.</p> <p style="padding-left: 40px;">a. General Operations of the Authority:</p> <p style="padding-left: 80px;">i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”) - Reports as prepared by PPS</p>	<p>No action taken.</p>

were reviewed by Swain Chapman. Mr. Chapman stated that the Pay & Display meter is now in and operational at the Stone/Council parking lot and the Stone/Council lot is now strictly daily only parking. All monthly parkers have been relocated to Block 175.

Mr. Chapman announced that Sue Zimmerman will be retiring after **15 years** with PPS. The Authority's Board members thanked Ms. Zimmerman and offered good wishes in her retirement.

Mr. Chapman introduced Eric Chapman who will be taking over management of Pueblo Parking Systems, LLC. The Authority's Board members welcomed Mr. Chapman.

- ii. **Bond Borrowers payments of Administrative Fees** - All fees are current.
- iii. **Cash Management** - Reviewed interest bearing and non-interest bearing accounts; reviewed account balances less existing commitments and recommended reserves for an estimate of funds available.
- iv. **Loan Servicing** - William Precedence II dba Planet Smoothie - delinquent for the months of **October** and **November 2015**. A demand letter was sent requiring that the loan be brought current by **November 20, 2015**. As of **November 30, 2015** BDFC was contacted by Mr. Precedence's business consultant stating that appraisals on both locations have been ordered with the intent of pursuing a quick sale.
- v. **Loan Origination** - 2 loans remain pending:
 - 1) Desert Horizons Communities – Closing and funding is anticipated for **February 2016**.
 - 2) Nonprofit Loan Fund of Tucson and Southern Arizona ("NPLF") - NPLF has taken **2 draws** in the amount of **\$50,000** each leaving a balance to be drawn of **\$50,000**.
- vi. **450 N. Main Street**

b. Updates:

- i. **Federal legislation**
- ii. **Arizona legislation**

c. Outstanding Single Family Programs:

- i. **Mortgage Revenue Programs that have completed the Origination Period:**
 - A. **Series 2006 (Joint) - \$30,475,000- 1st Mortgage Loan Interest Rate 5.97% - Final Redemption of Senior Bonds July 28, 2014 - CUSIP No. 89873QAB5 Subordinate (approximately \$196,000 - 7% 2nd Mortgage Loans are tied to the Subordinate Bonds of approximately \$820,000) .**

<p>B. Series 2007A (Joint) - \$23,400,000- 1st Mortgage Loan Interest Rate 5.69% - Final Redemption of Senior Bonds July 28, 2014 CUSIP No. 89873QAE9 Subordinate (approximately \$192,000 - 7% 2nd Mortgage Loans are tied to Subordinate Bonds of approximately \$135,000).</p> <p>C. Series 2008 (Joint) - \$30,000,000- Mortgage Loan Interest Rate 5.89% - Term Bonds CUSIP Nos. 898700FH7, 898700FJ3, 898700FK0 and PAC Bonds CUSIP No. 898700FL8 (approximately \$7,565,000 outstanding).</p> <p>D. Restructuring Opportunities and past results.</p> <p>ii. Mortgage Credit Certificate Program that is in the Origination Period – 2014 in the amount of \$5,000,000 formed on January 2, 2014 - Origination Period expired December 31, 2016.</p> <p>iii. \$40,000,000 The Industrial Development Authority of The County of Pima and The Industrial Development Authority of The City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (Pima Tucson Homebuyers Solution) – Program commenced on December 17, 2012 and unless extended expires on December 31, 2016 - over \$140,278,000 in mortgage-backed securities sold with over \$5,611,000 of down payment assistance granted to homebuyers.</p> <p>PTHS Program update: Effective with loan reservations on or after December 1, 2015, U.S. Bank Home Mortgage HFA division will no longer accept Manufactured Housing Loans. This includes all loan types purchased by the HFA division: FHA, VA, USDA/RD, Conventional (Fannie Mae and Freddie Mac).</p>	
<p>10. Status Report related to development of the Request for Qualifications/Request for Proposal (“RFQ/RFP”) or other process related to the potential development of Block 174 and/or Block 175 and request for resolution for any actions related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Board may vote to recess and meet in executive session for the purpose of discussion or consultation with and to provide direction to the Board’s legal counsel in connection with this item. Any action taken by the Board regarding this matter will be taken in open meeting session (either at this meeting or at a later date) after the adjournment of the executive session.</p> <p>C. Lotzar stated that Adam Weinstein has recused himself from discussions related to the development of the Block 175 RFQ/RFP or any other process related to the potential development of Block 175 and / or Block 174 in order to avoid even the potential appearance of impropriety.</p> <p>C. Lotzar stated that Gary Molenda has declared a conflict and has not participated in the Block 175 RFQ/RFP process (the “Process”) since proposals were received and his working relationship with at least one of the proposers was identified in their proposal. Mr. Molenda will continue to declare a conflict and to avoid the appearance of impropriety will not participate in any portion of the Process.</p> <p>Mr. Weinstein and Mr. Molenda left the meeting at 4:39 p.m.</p>	<p>A MOTION was made and seconded (J. Clinco / L. Lucero) to adjourn the Special Meeting at 4:39 PM. Approved 6-0.</p> <p>A MOTION was made and seconded (L. Lucero / E. Martinez) to enter into Executive Session at 4:39 PM. Approved 5-0</p> <p>A MOTION was made and seconded (E. Martinez / L. Lucero) to reconvene the regular session of the Special Meeting. Motion carried.</p> <p>The Special meeting was reconvened at 5:45 PM</p> <p>A MOTION was made and seconded (E. Nottingham / E. Martinez) to move forward with the Block 175 RFP Phase II</p>

	process and schedule an interview session with the El Presidio 175 Proposer team. Approved 5-0.
11. President's Report: Brief Summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting.	No action taken.
12. Call to the audience There was no one in the audience who wished to address the Authority.	No action taken.
13. Adjourn	A MOTION was made and seconded (E. Nottingham / E. Martinez) to adjourn the meeting at 5:46 p.m. Approved 5-0.

Submitted by:

Approved by:

Karen J. Valdez
Business Development Finance Corporation

Marilyn Robinson, President
The Industrial Development Authority of the
City of Tucson, Arizona